Postal Regulatory Commission
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Before the
POSTAL REGULATORY COMMISSION
Washington, DC 20268-0001

Costing Treatment of Retirement Debt Removal	:	Docket No. RM2023-1
Periodic Reporting (Proposal Seven)	:	Docket No. RM2023-2

COMMENTS OF THE GREETING CARD ASSOCIATION

The Greeting Card Association (GCA) files these comments pursuant to Order No. 6363, and as the original petitioner in Docket No. RM2023-1. GCA is the postal trade association which speaks for about 200 greeting card publishers and other companies and for the individual citizen mailer.

GCA is cognizant of the comments filed today by National Postal Policy Council et al. and agrees with them. This pleading is intended to present certain additional points, all of which show that the Postal Service petition in Docket RM2023-2 should be denied, and the $57 billion institutional cost reduction enacted in the Postal Reform Act of 2022 ("PSRA") should be recognized for all regulatory purposes, as it is in the Postal Service's financial reporting.

I. THE NATURE OF LEGISLATIVE COST REDUCTION

Both the Postal Service's original August 12, 2022, letter proposing to ignore the $57 billion PSRA reduction in its institutional cost and the Secretary's October 7 letter purporting to approve the proposal rested significantly on the "one-time" or "non-recurring" nature of the legislated financial event. It is true that Congress, like any legislature recognizing a significant problem, tends to solve it by a single legislative act. This fact is irrelevant to the proper regulatory treatment of what Congress has done.

We could hardly expect Congress to consider and pass an annual bill abolishing, as Postal Service costs, what it thought was an annual slice of accumulated retiree health benefit ("RHB") debt. But the fact that Congress dealt with the entire problem in one piece of legislation is not a reason for the Commission to depart from costing practice which is not only well-established (and which has imposed cost on mail users) but is also fully consistent with required financial reporting practice (GAAP).

There is nothing alarming in a negative institutional cost result, at least when it is localized.[1] The Postal Service complains that a negative total for the institutional cost category would be irrational and have bad practical results. That argument depends on the assumption – and it is no more than an assumption – that because PSRA did away with $57 billion of institutional cost in one piece of legislation, the Commission must either (i) ignore the removal of this large liability or (ii) produce an allegedly irrational situation by excising it in one lump sum from the Postal Service's costs.

II. THE REQUIREMENTS OF THE STATUTE

As would be true with any regulator, the statute empowering the Commission lays down principles which control its actions: the objectives and factors set out in 39 U.S.C. 3622(b), (c). Several of the objectives would be violated by ignoring the $57 billion deficit reduction effected by PSRA.

[1] For example, consult the FY 2021 *Cost Segments and Components* report: Cost Segment 18, Component 486 Workers' Compensation, is a combination of four other components. In Component 486,the Postal Service shows an institutional cost figure of $(1,258,845) which when netted against the attributable portion leaves a total for that component of $(579,732). This comes about because of a quite large negative amount in Prior Years' Workers Compensation (Component 205): it was $(1,799,949) and when this was mixed in with Components 531, Workers' Comp Current Year and 541, PO Dept. Workers' Comp and 895, OWCP Health Benefits, the result was the negative total given above. Components 205, 531, and 541 are 100 percent institutional.

Objective (b)(8). The ratemaking system the Commission established is required to produce a "just and reasonable schedule of rates." The Commission has said that a rate excessive for the customer is not a "just" rate. There could hardly be a clearer example of an "unjust" rate than one which taxes the customer for costs which the regulated monopoly does not incur, or of which it has been relieved by legislation. The Postal Service accrued the RHB costs as they were incurred (though not paid) and they formed part of the rates mailers paid. To ignore the fact that these accrued costs had been removed legislatively would force mailers to continue paying them despite their nonexistence.

The Commission has also said that a "reasonable" rate schedule is one adequate to allow the Postal Service to function as the governing statute contemplates. Rates which recognize that costs formerly accrued – and paid by mailers – are now gone would be reasonable in this sense.

Objective (b)(9). This objective requires an appropriate allocation of institutional costs between product sectors. The Commission has said that (b)(9) is satisfied when the section 3631(c) "appropriate share" is being covered – as it has uniformly been. But it seems clear that to allocate to any sector a cost which no longer exists cannot be an "appropriate" allocation. To ignore PSRA's removal of $57 billion in institutional cost would force the Commission to sanction an *inappropriate* allocation of "costs" to market-dominant products.

Objective (b)(5) calls for revenue adequate to cover current costs and allow retention of earnings. The Commission, in Order 4257, stated that while the ratemaking system had produced short-term financial stability (i.e., ability to conduct current operations without persistent losses) it had not allowed the Service to cover *total* cost or to retain earnings. To support this conclusion, the Commission relied most of all on the accumulated deficit, the great bulk of which was represented by accrued (but unpaid) RHB debt. Table II-12 and the accompanying discussion, at p. 171 of Order 4257, show this plainly. With the removal by Congress of almost all of the deficit, conditions have so changed that it is not now possible to argue that objective (b)(5) somehow requires the Commission to ignore that deficit reduction.

In short, the Commission cannot allow the PSRA debt relief to be ignored without contravening, or misapplying, several basic requirements of the statute.

III. LONG-TERM EFFECTS

Ignoring the PSRA's removal of $57 billion in Postal Service liabilities may have serious effects in the future. The fact is that the Postal Service's financial condition has been improved by that amount. If that fact is ignored, the Postal Service will be able to point to a greatly inflated total deficit. If the Commission were to accept this view – and ignoring the PSRA effect now would strongly influence it to do so – its promised revisitation of the ratemaking system set up by Order No 5763[2] will begin with an apparent (though in fact nonexistent) deficit of alarming proportions. The system as revised in Docket RM2017-3 rested largely on the proposition that the PAEA system had not made the Postal Service financially stable. Naturally, commenters in this proceeding cannot predict with any assurance what the outcome of that promised review will be, but it is appropriate to point out that ignoring the PSRA debt relief would cause that review to start from a false premise – and one harmful to mail users.

That ignoring Congress's removal of the $57 billion in accrued costs has potentially profound, and harmful, effects in the future also underscores the insubstantiality of the "one-time" or "non-recurring" characterization. While, as explained earlier, Congress chose to deal with the problem in one large enactment, the effect of ignoring the massive reduction in institutional costs will not be a "one-time" occurrence~~;~~ it may well affect the entire future of postal ratemaking.

[2] Pages 266 et seq.

IV. CONCLUSION

For the reasons given above, GCA believes that the Commission should –

(A) Deny the Postal Service petition in Docket RM 2023-2; and

(B) Require recognition for regulatory purposes of the removal, by PSRA, of the $57 billion in institutional cost representing accrued, unpaid, RHB obligations.

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Respectfully submitted,

GREETING CARD ASSOCIATION

David F. Stover
2970 S. Columbus St., No. B-1
Arlington, VA 22206-1450
(703) 998-2568 or (703) 395-1765
E-mail: postamp02@gmail.com